

ECONOMIC DEVELOPMENT COMMITTEE

DATE: June 28, 2006

CALLED TO ORDER: 5:03 p.m.

ADJOURNED: 5:42 p.m.

ATTENDANCE

ATTENDING MEMBERS

Jackie Nytes, Chairman
Patrice Abduallah
Lonnell Conley
Marilyn Pfisterer
Joanne Sanders

ABSENT MEMBERS

Virginia Cain
Isaac Randolph

AGENDA

Report on Downtown Economic Indicators – Terry Sweeney, Vice President, Real Estate Development, Indianapolis Downtown, Inc.

ECONOMIC DEVELOPMENT COMMITTEE

The Economic Development Committee of the City-County Council met on Wednesday, June 28, 2006. Chair Jackie Nytes called the meeting to order at 5:03 p.m. with the following members present: Patrice Abdullah, Lonnell Conley, Marilyn Pfisterer, and Joanne Sanders. Virginia Cain and Isaac Randolph were absent.

Report on Downtown Economic Indicators – Terry Sweeney, Vice President, Real Estate Development, Indianapolis Downtown, Inc.

Chair Nytes stated that it is customary for this committee to receive updates from various entities whose efforts focus on economic development in the County. She said that Indianapolis Downtown, Inc. (IDI) does a great deal of economic development work downtown. She introduced Terry Sweeney, Vice President of Real Estate Development for IDI, and Julia Watson, Vice President of Marketing and Communications for IDI.

Mr. Sweeney presented a brief Powerpoint presentation and stated that he will focus on real estate development indicators for downtown, while Ms. Watson will review statistics regarding marketing and various downtown attractions. [Clerk's Note: A spiral bound copy of this presentation is on file in the Council Office with the original minutes of this meeting.] Mr. Sweeney said that biennial business and perception surveys are conducted in order to assess the health of economic development downtown and benchmark how the area is doing, as well as find ways to work together for future successes.

Mr. Sweeney stated that in the last five years, downtown Indianapolis has averaged \$320 million each year in projects completed, with 24 projects being completed in 2005 totaling \$512.6 million (a 33% increase in value from 2004). There are approximately 90 projects in the downtown area scheduled to be completed by 2010. Mr. Sweeney said that the office vacancy rate downtown has remained relatively stable, at 15.18% in 2005. He said that fluctuations shown are mostly due to the fact that some offices have been converted to residential. Discounts are also being offered to retain and recruit tenants.

Chair Nytes asked what percentage of office vacancy rate would be needed to warrant another office building downtown. Mr. Sweeney said that the vacancy rate would need to be in the 11 to 13% range.

Mr. Sweeney said that the downtown residential market information comes from the Metropolitan Indianapolis Board of Realtors (MIBOR), and a 10% increase in single-family homes being sold was reported in 2005. The slight decrease in condominiums

being sold is somewhat due to new construction of condominiums in the downtown market.

Councillor Pfisterer asked if this information applies strictly to Center Township. Mr. Sweeney said that the official downtown area is bordered by 16th Street on the north, I-65 and I-70 on the east, I-70 on the south, and the west bank of the White River on the west. It is actually a six and a half mile square area. Councillor Pfisterer asked if those buying condominiums are typically young professionals or elderly. Mr. Sweeney said that many condominiums are being bought by active empty nesters, students or parents of students, investors, and downtown apartment renters. He said that some are being bought by those moving from historic homes or transfers from other large cities who like living in the city.

Chair Nytes said that since these numbers are provided by MIBOR, condominium sales may be higher because of many of these units being sold through developers. Mr. Sweeney said that this is correct, and actual condominium sales are probably understated on this report.

Mr. Sweeney said that in 2005, the average sale price of a single family home was \$241,837, which is a 10% decrease compared to 2004, yet a 39% increase compared to 2000. In 2005, the average sale price of a condominium was \$249,278, which is a 14% increase over 2004, and a 73% increase compared to 2000. He said that the supply of homes and condominiums is increasing, and so are property values. There is also a decreasing rate of vacancy in downtown apartments. The supply of downtown Class A and B apartments has remained relatively stable at 3,200, with a very low vacancy rate ranging from 5.2% (which is almost full) to 9%.

Councillor Pfisterer asked what Class A and B apartments mean. Mr. Sweeney said that these are apartments of a higher quality and in better condition, and those with a larger number of units.

Mr. Sweeney stated that the effective rent per square foot for downtown apartments has also increased and many new developments have rents well above \$1 per square foot. Even though these statistics relate to market rates, many of these developments also have an affordable housing component built in, even though they are not tracked in this report. He said that with regards to sales for downtown businesses, 61% of downtown businesses surveyed reported an increase in sales from 2004 to 2005. He added that the student population downtown has remained relatively stable, as well, at approximately 43,000 to 44,000.

Ms. Watson stated that they now track attendance at 27 different attractions downtown, compared to only 14 attractions in 1994. She said that in 2005, a total of 17.2 million visits were made to the 27 attractions surveyed, representing a 289% increase over attraction visits in 1994. Even comparing only the 14 attractions, an increase is still shown in visits. She said that 85% of Marion County residents visited downtown in

2006, which shows that downtown attractions draw locals, as well as convention attendees or visitors to the City. She said that with regards to convention delegates, there has been a slight decrease from 2004 to 2005.

Councillor Nytes asked if the decrease in convention delegates is a cause for concern. Ms. Watson stated that it is not really cause for concern, because these numbers do not indicate how many nights a convention delegate may stay in the City. Even with lower numbers, businesses still report an increase in sales. Mr. Sweeney stated that visitors represent about 50% of sales income for downtown businesses.

Councillor Sanders asked if the decrease in 2005 could be due to restrictions caused by the limited convention center space. Ms. Watson said that this is correct, and shows cannot be overlapped or booked during the same week because of space restrictions. She added that the convention center expansion will help correct this problem.

Councillor Conley stated that the City is working swiftly to fix this limited space issue. He said that they have lost some major conventions due to the space problem, but many of these organizations are willing to come back after the expansion is completed.

Councillor Pfisterer asked if there have been any commitments by some of these major conventions to return once the expansion takes place. Ms. Watson said that the Performance Racing Industry, which holds its convention the first week in December when convention business is slow, has committed to returning, once more space is available.

Ms. Watson said the information in the packets regarding downtown hotel occupancy was supplied by Smith Travel Research, which actually includes a portion of the east side. Therefore, these numbers are a little conservative, and hotel owners report much higher numbers.

Councillor Sanders said that she read today that hotels normally suffer a high vacancy rate during the July 4th holiday, due to the nature of the holiday. However, because of the timing of the Grand Prix, hotel occupancy has been up, and this has worked well for hoteliers. Councillor Conley added that the awarding of the Big 10 Conference, golf tournament, and a new five-star hotel have also helped with vacancy rates. Ms. Watson said that this is correct, and although Indianapolis is doing well, they must continue to “feed the beast” and work to get the next big event or development.

Ms. Watson stated that in 2006, 85% of central Indiana residents surveyed indicated that they perceive downtown to be clean. She said that these rates are much higher than other large cities and even enclosed shopping malls. She referred to a graph assessing downtown sidewalk cleanliness. She said that the decrease shown from November 2004 to June 2005, was due to a new criteria being added with regards to the presence of weeds, and the fact that no one was told they were coming to assess.

As the graph shows, the cleanliness assessment then raised again after results came out and businesses worked hard to correct the problems.

Councillor Pfisterer stated that she has the opportunity to travel quite a bit with her husband and has visited other cities, and Indianapolis should be proud and excited about how clean their downtown is compared to others. She added that during the firefighters' convention, many attendees commented on the cleanliness of the City and activity after 5:00 p.m. in the downtown area. Ms. Watson said that this is a credit to the public and private business partnerships downtown. She said that downtown businesses are proud of their successes in this area. Councillor Pfisterer said that she wants IDI's business people to know that visitors and residents alike perceive downtown to be exceptionally clean and well-kept. Indianapolis is a gem that needs to continue to be fostered and kept clean.

Ms. Watson said that 49% of central Indiana residents surveyed indicate that it is easy to find parking downtown. She said that 73% surveyed found that parking rates were somewhat to very affordable. She said that parking space availability did decrease in 2005, but much of this decrease was attributable to the loss of spaces due to the new Lucas Oil Stadium development. The parking meter occupancy remains relatively stable with increases on the weekends. Most of this increase is probably due to not having to pay for meters on the weekends, and there is not much turnover of cars in the spaces, and most of them stay in place for most of the day. She said that downtown crime has decreased about 10% from 1998. However, crimes against persons did increase by 21 incidents, or 9%, while crimes against property decreased by 46 incidents, or 2%. She said that crimes against persons are usually altercations at nightclubs or bars. With 17.2 million visits per year to downtown attractions, 2,226 incidents is a very small number.

Councillor Conley said that when the City recently hosted the National League of Cities, attendees commented how they liked the fact that they never had to go outside to get to downtown venues from their hotel, and therefore felt safer in some respects. He asked if there has been any feedback yet on the new parking meters. Ms. Watson stated that so far, they have received positive comments on the new multi-space meters in Broad Ripple and downtown. Most people like the convenience and ease of being able to use credit or debit cards to pay, instead of struggling to find sufficient change.

Chair Nytes asked how ridership is going on the Blue and Red Line Downtown Circulators. Ms. Watson said that there is no Red Line Circulator yet, but that the ridership on the Blue Line has increased. She added that IndyGo has reformatted the route, and it fills a need for a lot of people. She said that she believes the ridership would increase more if people just knew about it. In surveys from residents and visitors, a downtown circulator is one of the top six items requested. Mr. Sweeney stated that ridership increased to 8,000 last month. Chair Nytes asked if survey results are shared with IndyGo. Ms. Watson said that they provide research to them about their service and support them by helping to get the word out about the availability of services they

offer. Mr. Sweeney added that Fred Laughlin, Director of Management Services for IDI, interacts quite a bit with IndyGo as IDI's transportation resource.

Chair Nytes asked how information like these statistics gets used. Ms. Watson said that they are provided to constituents and stakeholders, as well as to partnerships for planning purposes. Mr. Sweeney added that they help with downtown momentum and serve as a recruitment tool to garner investment in downtown. Ms. Watson said that IDI uses this information in a downtown office development package for realtors and brokers to use in conjunction with their own information to present the market to interested parties.

Chair Nytes asked in light of all these strengths, if there are any weaknesses on which the City should be focusing. Ms. Watson stated that the City just needs to keep working on recruiting more businesses, retaining the ones they have and keeping their standards high. Mr. Sweeney said that demands on services will continue to grow as downtown changes and grows. Therefore, basic services, like street cleaning, need to continually be addressed. Ms. Watson added that services needed on the Capital Improvement Board lot will be different now due to the Lucas Oil Stadium development, and changes will continue to come about as downtown continues to grow. Mr. Sweeney said that resources will need to be maximized to keep the level of service at a high quality. He said that they are keeping an eye on the office vacancy rate, and will also be seeking additional retail development for the residential boom that is taking place.

Chair Nytes asked about the development of the old Market Square Arena site. She said that this is a big project residentially, and a whole new ballgame. Mr. Sweeney said that the residential market downtown is strong and can absorb these new units. The demand is there. Although it is a complicated development, it will be very important for downtown, serving as the eastside anchor. He said that this development should help Massachusetts Avenue and the City Market, as well as property tax generation. He said that he hopes to hear good news as early as the end of August on this development. Chair Nytes said that the Council could perhaps help by urging anyone who can afford to do so, to invest in this project, as a leap of faith is needed to make it truly successful.

Councillor Sanders asked if there are pressures on resources as the Canal project continues to develop. Mr. Sweeney said that the City manages the Canal project to West Street, and then the State is responsible for the portion that is part of the White River State Park. He said that they have worked closely with the property owners and projects at the north end of the Canal and expect more usership in the area. There will, of course, with more usership, be additional wear and tear on infrastructure, and IDI is partnering to help find additional resources to maintain those areas. Ms. Watson said that the White River State Park is part of one of their new cultural districts, and this helps a little with funding possibilities.

Chair Nytes said that it is good to get this type of information out to the public. This information helps to breed confidence in the strength of the City. She said that she appreciates IDI's efforts to make Indianapolis the best it can be.

There being no further business, and upon motion duly made, the meeting was adjourned at 5:42 p.m.

Respectfully Submitted,

Jackie Nytes, Chair

JN/ag